The full texts of the Budget Address, Estimates of Revenue and Expenditure and supporting schedules for 2015-2016 and previous years are available on the Province of Prince Edward Island's website:

http://www.gov.pe.ca/budget

PRINCE EDWARD ISLAND

Budget Address

Presented by
The Honourable Allen F. Roach
Minister of Finance
and Chair of Treasury Board

At the First Session of the Sixty-fifth General Assembly
of Prince Edward Island

June 19, 2015

PRINCE EDWARD ISLAND
2015 BUDGET

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THE BUDGET ADDRESS

Introduction

Mister Speaker, it is a privilege to present and table the 2015-2016 Operating Budget for the Government of Prince Edward Island.

There is much we have to be thankful for in our province. Just last year, we were joined by neighbours from across Canada and visitors from around the world as we celebrated the 150th anniversary of the Charlottetown Conference. It was a signature year and we rightly reflected on our past builders and the strength of purpose they established for our province and our country.

Today, we look forward to building new opportunities for current and future residents of Prince Edward Island. We have immense strengths to build from – our people, our communities, our history and our environment, when drawn together, make Prince Edward Island a special place in the world.

"Today, we look forward to building new opportunities for current and future residents of Prince Edward Island."

While we can and will draw on these strengths, we have real challenges to tackle, if we are to collectively achieve and succeed.

Le budget que nous présentons aujourd'hui permet de poursuivre nos principaux objectifs de saine gestion financière, créant des conditions qui favorisent une croissance économique soutenue et améliorant les perspectives pour nos secteurs économiques et culturels.

The budget we present today continues our main objectives of strong fiscal management, creating conditions for sustained economic growth, and expanding opportunities for our economic and cultural sectors. The achievement of these objectives is essential for our economic and social prosperity.

Our fiscal plan is on target to attain a balanced budget by 2016-2017. Our economic growth prospects, as validated by third party analysts, remain relatively strong nationally, with many leading indicators in the region. And we are unveiling new initiatives to help drive trade in existing and new markets.

"...we are unveiling new initiatives to help drive trade in existing and new markets."

At the same time, we are placing particular emphasis on improving real supports for those in our society who need it the most.

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New investments are targeted to the services most needed for our residents, notably in health care. We will enhance front-line services in the most important areas, making sure that the immediate needs of Islanders across our province are met.

The plan outlined by our government in the Speech from the Throne is being implemented this year and in subsequent years consistent with our capacity to deliver programs in a fiscally-responsible manner. Our budget plan for this and future years will ensure this principle is followed.

Economic Conditions

Mister Speaker, we are all well aware of the continued volatility of the world economy and the consequent impact this has on personal and public finances. Vast fluctuations in resource pricing and market conditions place pressure on government and private business plans. This also introduces uncertainty for individuals and families. We as Islanders, and as a government are not exempt from these conditions.

"...we are all well aware of the continued volatility of the world economy and the consequent impact this has on personal and public finances."

In the face of this volatility, the Prince Edward Island economy has shown remarkable resilience. In recent weeks, both the Royal Bank of Canada and the Conference Board of Canada cited our economic conditions as being among the best in Canada. The growth in our export of goods leads the country. And our population growth – a leading driver of economic success – stands out in the region.

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Our unemployment rate is projected to dip below double digits in 2016 – the first time it would fall into single digits on an annual basis in 38 years. This is led by a strong record of job creation, where PEI is leading the Maritimes.

We are on the right path, but we cannot be complacent. Our 2015-2016 budget acknowledges the need for prudent financial management as we seek to establish the best opportunities for individuals, families and communities in Prince Edward Island.

Overall, we are projecting a modest 1.4 per cent increase in revenue from Budget 2014-2015, and an even more modest 0.5 per cent increase in program expenditures. Our 2015-2016 Budget projects a consolidated deficit of less than $20 million, which is almost a $20 million decrease from last year, setting us on target for balance next year.

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Addressing Our Means

Mister Speaker, our Speech from the Throne underlined that our first economic responsibility lies at home. Islanders expect, and deserve, sound fiscal management. I am happy to report that we are on the right track to fiscal balance.

Budget 2014-2015 forecast a deficit of almost $40 million. Even with a harsh winter that required unplanned spending for provincial and city snow removal, and for flood damage in different parts of our Province, we are now projecting a deficit of less than $35 million.

Budget 2015-2016 further improves our position as we budget a deficit of less than $20 million. We are clearly moving in the right direction and are looking forward to a balanced budget in 2016-2017. This progress places Prince Edward Island in a stronger financial position.

Our government will embrace economic frugality in our own operations where possible, so that we can make the necessary investments in the most pressing areas. This has started with leaner operations in the Executive Council Office, where we are leading by example.

Central to our economic and fiscal success is our ability to grow our revenues as a province. By focusing on our economic strengths, we will raise revenues that benefit all parts of Prince Edward Island.

The launch of *Sales Force PEI* this year will assemble the expertise of our leading economic sectors to increase our trade and sales within existing and new markets. *Sales Force PEI* will not be about creating a new government entity, but about using all parts of government, as well as leadership in business, tourism, cultural and educational sectors, to build stronger economic connections between Prince Edward Island and other parts of Canada and the world.

"The launch of Sales Force PEI this year will assemble the expertise of our leading economic sectors to increase our trade and sales within existing and new markets."

Our continued emphasis on growing our population through repatriation, retention and recruitment is a key pillar to our economic plan. Our people represent our most valuable asset, and we will increase efforts to:

- retain our best and brightest;
- attract Islanders home; and,
- identify and recruit top talent from around the world.

"Our continued emphasis on growing our population through repatriation, retention and recruitment is a key pillar to our economic plan."

This will only help to fuel our economic growth. The strategy will be spearheaded under the leadership of our new Department of Workforce and Advanced Learning.

We will work with our federal government partner to ensure the services and needs of Islanders are met. Transfers from the federal government for services and infrastructure needs comprise 40 per cent of our total revenues in any given year.

We will launch a re-invigorated level of collaboration with our neighbouring Maritime provinces. Working together, we will grow our economies, deliver sustainable healthcare programs, and provide a stronger voice for our region in national programs and policies.

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We will work collaboratively to build our economy and grow the sources and sustainability of our revenues - and develop more opportunities for Island families and communities through these efforts.

A revenue measure included in this budget, is that, as of midnight tonight, the tax on a carton of 200 cigarettes will increase by $5.00 and the tax on 200 grams of fine tobacco will rise by $8.00. It is anticipated that this measure will increase revenue by approximately $2 million annually.

Building on our Strong Primary Industries

Prince Edward Island was built on our primary industries. Agriculture, fisheries and aquaculture have been the cornerstone of our economy for many years, providing job creation and community development in all parts of the province.

Our primary sectors have shown tremendous growth in recent years:

- Farm cash receipts have grown 27 per cent since 2007 to reach $488 million in 2014;
- Fish landings have rebounded 27 per cent since 2011 to $176 million in 2014; and
- Production in aquaculture has increased 45 per cent since 2007 to over $43 million in 2014.

Together, these sectors are generating over $700 million in direct economic revenues and thousands of jobs for Prince Edward Island. In addition, tourism is showing stronger results with increases in overnight stays and air passenger traffic.

We will continue to invest in and support the growth of these sectors. By serving our primary industries through a single Department of Agriculture and Fisheries, our government will be better able to align our resources for future growth potential. Almost 70 per cent of the department's budget is directed back to industry, and we will focus our attention on advancing our food brand, on continued industry support and on environmental stewardship.

"By serving our primary industries through a single Department of Agriculture and Fisheries, our government will be better able to align our resources for future growth potential."

The quality of Prince Edward Island's land and sea-based products is known around the world. This year, we will launch a new strategy to establish Prince Edward Island as *Canada's Food Island*. We will advance the marketing of our products, and through the Food Island Partnership, will help Island producers conduct market research, develop new products and increase their markets.

Innovation is key to the growth of our industries. Through the Agriculture Research and Innovation Program, $1.2 million will be provided to producers, industry and agri-business to support science-backed improvements. We will also provide support in fisheries and aquaculture, with specific programs in aquaculture technology, lobster resource, mussel and oyster monitoring.

And, for the continued growth of these sectors, we will support Prince Edward Island's young people entering through the Future Fishers and Future Farmers programs, as well as through our support of 4-H.

Mister Speaker, recent issues in the potato industry have brought the need for bio-security and traceability to the forefront. The incidents of potato tampering that have been uncovered point to

criminal action. In the interest of the potato industry and public safety, as supported in this Assembly, $1.4 million is being provided through the Assurance Systems Program to help industry groups and farmers fund initiatives that address in-farm food safety, bio-security and traceability.

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Our province relies on the resources of our land and sea, and we will make sure these are managed in a sustainable manner. For example, we will continue to provide stewardship programming in the areas of conservation planning, nutrient management and through the installation of engineered structures to help farmers manage and protect the natural environment.

Our primary industries will remain at the core as we seek to expand our economy and our markets.

Supporting New Industries

Mister Speaker, Prince Edward Island's ability to diversify its economy in recent years has been notable. Through the leadership of business, and with collaboration from government, we have seen significant growth in the biosciences; information and communications technology; and aerospace sectors. We also have a new cluster in marine technology. In all cases, local leadership is bringing Prince Edward Island products and services to markets all over the world and creating jobs here at home.

On Prince Edward Island, there are many examples of great local businesses that are creating jobs, reaching markets and growing our province's reputation of success:

- MacDougall Steel Erectors Inc. – a small company that has grown into a large manufacturer and exporter of fabricated structural steel. They employ about 130 people.

- Trout River Industries was founded in 2001. It designs and manufactures 'live bottom trailers' and currently employs approximately 75 Islanders.

- BioVectra Inc. manufactures active pharmaceutical ingredients and engages in drug development activities. They have about 260 employees.

- Charlottetown Metal Products is a leader in the design and manufacturing of food processing equipment. It employs approximately 90 people.

- Aspin Kemp & Associates and related companies – manufacturers of marine electrical components and marine propulsion systems. They employ over 110 staff.

We will continue to invest in programs that encourage entrepreneurial and cluster growth on Prince Edward Island.

We will begin by supporting our young people who have an interest in pursuing economic and social entrepreneurship. Our entrepreneurship strategy will set further collaborations with groups such as Junior Achievement to foster a culture of enterprise with our young people. We will also work with our educators to introduce curriculum features that equip our students with a better understanding of the practice of entrepreneurship.

We will work with UPEI and Holland College to create Entrepreneurship Spaces within their facilities to provide recent graduates with a locale to launch new start-up businesses. We will provide support for mentorship, especially working with local Chambers of Commerce.

Our support through the Ignition Program, which provides start-up funding directly to young Island entrepreneurs, will be doubled. Working with the Island Advance Task Force and the First Angel Network, we will encourage the flow of Capital including support for Start-Up PEI.

"Our support through the Ignition Program, which provides start- up funding directly to young Island entrepreneurs, will be doubled."

As we look forward, building an ongoing culture of economic and social enterprise here on Prince Edward Island, we will establish our ability to grow our economy for many generations to come.

Targeted Investments in Healthcare

Mister Speaker, it will not be surprising to Islanders that our priority spending will continue to be in healthcare. Corresponding to its significance to all people of Prince Edward Island, spending for healthcare will represent 40 per cent of our total program expenditures in 2015-2016. In our commitments to Islanders, we will undertake a series of targeted investments which will provide direct, front-line service in our system, and ensure that Islanders are provided with the service and support they need.

"Corresponding to its significance to all people of Prince Edward Island, spending for healthcare will represent 40 per cent of our total program expenditures in 2015-2016."

We will unveil and put in place on October 1st of this year the new PEI Generic Drug Plan, saving Islanders $2 million in their drug costs in 2015-2016, and more in future years. Capping payments at less than $20, this plan will significantly reduce the burden of cost on the large percentage of Islanders without a drug plan. This keeps millions of dollars in the pockets of our residents, while ensuring they have access to an increasing number of medications.

We will deliver on our commitment to reduce wait times and provide better access for needed health services in orthopaedics, obstetrics, anesthesiology and psychiatry, investing directly in these services. We will also work immediately to clear the wait times in ultrasound.

This budget also includes $500,000 in support for enhanced home care for the elderly and expansion of the seniors' mental health resource team.

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And, we will increase the number of Nurse Practitioners who, working with family doctors and medical teams, play a significant role in addressing the healthcare needs of patients.

These initiatives are consistent with our pledge to enhance front-line services, and we will continue to place priority on these kinds of investments.

Mister Speaker, we will invest directly in meeting health needs in rural Prince Edward Island. Our Community Paramedicine Program will be piloted in Eastern Kings County, with a view to extending this across the province. We will also introduce a new ambulance for Kings County. Our District Advisory Councils in Health will work with community leaders to provide advice to the Department of Health and Wellness and Health PEI on the delivery of healthcare across the province.

"Our Community Paramedicine Program, will be piloted in Eastern Kings County, with a view to extending this across the province. We will also introduce a new ambulance for Kings County."

Sustained Investment in Education

Education is the foundation of a successful society and economy. In recent years, we have made significant investments in early childhood education, recognizing that a strong early start in education is the best route to enduring economic and social prosperity in our Province.

Mister Speaker, since 2007 we have grown our investments in education by almost 40 per cent to ensure we are providing the best possible environment and front-line services for our students. In budget 2015-2016, our investments will continue, ensuring that we maintain a student-to-educator ratio that is among the lowest in Canada.

We have continued to stress that in addition to in-class services, improved access to specialists to identify learning challenges as early as possible, is essential to the full and successful inclusion of our young people in schools. We will continue to invest in these necessary front-line services.

The results of these investments are showing success on the national level. Prince Edward Island now ranks fifth in Canada in the graduation rate of its high school students at 76 per cent, which is above the national average. Students from the province showed more improvement in math and reading than any other province in the Pan-Canadian Assessment Program.

In addition to our ongoing significant investments this year, we will double the funding for the breakfast programs in our schools. Mister Speaker, it is an unfortunate and troubling fact that many Island children come to school hungry. As indicated by the PEI Home and School Federation, one in five children on Prince Edward Island live in a household affected by some level of food insecurity. This is an issue our government is committed to addressing through this additional funding.

"In addition to our ongoing significant investments this year, we will double the funding for the breakfast programs in our schools."

We will continue our investment in early learning. Specifically, we will maintain an annual commitment of $1.2 million to CHANCES to provide programs and supports for children from birth to 36 months. Budget 2015-2016 makes a further commitment of $60,000 a year for five years to support literacy programs for these families.

In the interest of building better community engagement, our budget includes support for the new Advisory Councils in Education. These bodies will not replace the operational and governance roles of our School Boards, but rather will bring forward advice across families of schools from a community perspective.

We are continuing our commitment to post-secondary education in Prince Edward Island. Operating funding for UPEI and Holland College has increased by a total of $1 million. With our ongoing investments through the George Coles Bursaries and in supporting student loans, we will continue to encourage the participation of many young people from the Island as they set out in their studies and training to contribute to our society.

Helping Island Families

Mister Speaker, a hallmark of any society is how we support those among us who need it the most. We know Prince Edward Islanders to be caring, giving individuals. Our communities have many organizations whose main purpose is to support, sustain and encourage those around them. Islanders are active and ready volunteers to many social and community causes. More quietly, in our families and networks of friends, we all experience the caring and nurturing culture that is well rooted here. And we are all better for it.

Government, of course, has a role to play. Indeed, the success of any government is underlined by its attention to those in need of our support. Our government provides assistance for those most in need, and we will continue to sustain an active program of supports, especially through our Department of Family and Human Services.

Recently, Mister Speaker, I announced in this Assembly, legislation to change our *Income Tax Act* to provide tax relief to those who need it most, including our seniors, working single parents and lower-income Islanders. By adjusting the levels of basic credits and increasing the threshold at which Islanders can keep their full credit amounts to $17,000 from $15,000, thousands of Island families will see their taxes reduced.

The immediate result is that approximately 12,000 Islanders will have their taxes reduced by hundreds of dollars, in some cases, and 2,300 Islanders will no longer be required to pay Provincial Income Tax.

"...approximately 12,000 Islanders will have their taxes reduced by hundreds of dollars, in some cases..."

This commitment will leave $1.7 million in the pockets of those most in need on Prince Edward Island – savings that they can use to meet their most basic personal requirements.

We have also provided an increase in funds for personal comfort. These funds assist clients with purchases over and above their basic needs. We will also provide assistance to help retain existing foster homes and help recruit new foster families.

Our government is committed to long-term attention to poverty issues. We will continue to look at our family and human services and how we can collectively reduce poverty in our province.

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Enhancing Environment and Land Use

Mister Speaker, our government has consistently stated the priority we place on our land and our water – the most precious natural resources we have in our province. We have laid out, through our new Department of Communities, Land and Environment, a plan to address these central issues. Islanders will soon be engaged in consultation on the *Water Act* and eventually in the renewal of both the *Planning Act* and the *Lands Protection Act*.

Our budget commits $180,000 in funding for Island watershed groups in 2015-2016, an amount that will increase to $250,000 in subsequent years. This funding will allow these organizations to continue to play a valued and effective role in protecting and enhancing our water resources.

"Our budget commits $180,000 in funding for Island watershed groups in 2015-2016, an amount that will increase to $250,000 in subsequent years."

This year, we will launch consultations with Island municipalities to establish a stable and predictable funding system, including working with local governments in areas where further collaboration serves the interest of Islanders.

Conclusion

Mister Speaker, the budget presented today provides our government with the fiscal guidance required for 2015-2016 and sets out our longer-term plan to enhance our revenues, build sustained economic growth, and balance our books.

We have enormous strength of talent in and outside of government to draw on, and a history of enterprise, drive and determination to build on. We have reason to be confident about our financial picture as a province, especially as we look to our growth and export history. We know that people across Canada are watching to see how we perform, and I am confident, Mister Speaker, that we will be successful.

The result of our own sound fiscal management and of working with private and public sector partners here and around the world, will provide more opportunities for young people in our province, more jobs for all Islanders, stronger communities and will place Prince Edward Island on the map.

I know, Mister Speaker, that as we work together, we will build a great future for Prince Edward Island!